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Director

### **MEMORANDUM**

**TO:** Agency Payroll Officers  
**FROM:** OA/Division of Accounting  
**DATE:** January 4, 2007  
**RE:** Reporting State Vehicle Use

The purpose of this memorandum is to notify agencies of a change in policy requiring all employees to have state vehicle commuting miles reported under the Cents-Per-Mile method. IRS regulations require employers to withhold certain payroll taxes and include automobile commuting use values in employee gross W-2 income.

For 2007, the standard mileage deduction rate set by the IRS for business travel in an automobile has been revised to 48.5 cents per mile for all miles driven (the rate was 44.5 cents per mile in 2006). All employees must use the Cents-Per-Mile method using the 48.5 cents per mile rate in 2007.

Following are some points, which should be remembered in determining the reportable commute value.

1. Commuting mileage in a state vehicle is determined by the distance from your home to the first place of business for the day; and the distance from the last place of business to your home.
2. Certain "qualified nonpersonal use vehicles" have been exempted by the IRS from reporting and taxation requirements. They are:
  - Clearly marked police and fire vehicles
  - Unmarked law enforcement vehicles when used for authorized purposes by a full time law enforcement officer
  - Delivery trucks with seating for only the driver
  - Flatbed, dump, and garbage trucks
  - School and passenger busses with over a 20-person capacity
  - Ambulances
  - Specialized utility repair trucks (except vans and pickup trucks)

**NOTE:** Pickup trucks and vans are generally taxable, unless specially modified with permanent shelving, storage racks, and painted insignia so that personal use is unlikely.

2. Federal regulations allow vehicle personal use values for November and December to be deferred to January of the following year. If you defer 2006 reporting into 2007, you must use the Cents-Per-Mile method.
3. Under provisions allowed by IRS regulations, the State has elected to not withhold federal income taxes from taxable commute values. If normal withholding will not be sufficient because of the addition of automobile commute values to taxable income, employees should complete new W-4 forms to increase normal withholding taxes. State income tax will also not be withheld on reported commute values. However social security, Medicare and local earnings taxes are withheld.
4. Commute values reported will be included in income reported on employee W-2 forms.

The instructions on how to report auto commuting use values are found in SAM II HR Policies and Procedures, Imputed Wages, Automobile Commute. If you have any questions, contact the Division of Accounting, Payroll Unit by calling (573) 751-3141.